

Financial Management 101:

Farm Financial Record-Keeping



Good financial record-keeping can benefit your business in many ways. Financial records are necessary when you file taxes or apply for a loan or grant, and they can help you analyze and evaluate your business and make decisions about your future. This tipsheet can help you decide what you want to know about your farm's financial situation and learn how to keep records to give you that information.



WHAT DO YOU WANT TO KNOW?

It's important to identify the information that you hope to gain through comprehensive recordkeeping. The more details you track, the more information you have to analyze.

- Production yields
- Profit/loss, cash flow
- Potential future sales/expenses
- How investment in equipment, infrastructure, or additional labor would impact future profitability
- How much you will owe in taxes

WHAT TO TRACK

Developing a complete picture of your business finances includes more than just tracking the money in and the money out. Thorough record-keeping will involve dividing those broad categories of money into streams, which will help you analyze the information more effectively. The greater the detail, the more accurate your analysis will be.

- **Total sales:**
 - Track sales by vendor/outlet
 - Track sales by product/enterprise
- **Total expenditures:**
 - Track expenditures by enterprise or cost center
 - Track cost of labor by person by task/enterprise
 - Track equipment usage/expense by task/enterprise

RECORDKEEPING TOOLS

Recordkeeping starts with very basic tools, many of which you probably already use in your business.

- Basic accordion files for receipts. Separate envelope by month or type of income/expense.
- Employee (including owner) timesheets, preferably by task as well as by day.
- Field notebook to record production information.
- Electronic spreadsheets, like excel.
- Checkbook

RECORDKEEPING RESOURCES

Beyond basic tools to track your information, there exist a number of resources that can help you take the information that you have gathered and turn it into a comprehensive record-keeping system.

- **Multi-column ledger books** or sheets (eg National Brand)
- **New England Farm Account Book:** Daily Records of Receipts and Expenses and Employee

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Labor Records. A manual recordkeeping system from the University of Maine Cooperative Extension. This tool has been out of print for some years, but limited copies are still available at no charge through Melissa Potts at mpotts@umext.maine.edu or 207-581-2788. University of Vermont Extension has recently made some copies available for free. Contact Bob Parsons at bob.parsons@uvm.edu.

- **The Organic Farmer's Business Handbook:** A Complete Guide to Managing Finances, Crops, and Staff – and Making a Profit, by Richard Wiswall, 2009. Comprehensive, highly readable, practical guide with a companion CD that contains excel spreadsheets and templates for enterprise analysis and more. Available from Chelsea Green Publishing at www.chelseagreen.com.
- **One-write check writing systems** are a manual system that helps you keep track of information with fewer steps than a standard checkbook. There are several companies that make similar products, but visit www.one-write.com to get a sense of what the system entails.
- **Quicken and Quickbooks** are personal and small business accounting software to help track finances, write checks, invoice customers,

and track inventory. Different versions have different capacities, so you can select according to your needs. Visit www.intuit.com.

- **FinPack financial planning and analysis software** helps you use your farm financial records to evaluate and analyze your financial situation. While most often used by ag professionals and lenders, there is a personal version which can be purchased outright or by a one-year subscription.



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